

## KNM on capacity expansion drive

*The Star - 12 July 2004* PROCESS equipment maker KNM Group Bhd is on an expansion drive to increase its installed annual manufacturing capacity by at least 60% to 46,500 tonnes by the end of next year.

Managing director Lee Swee Eng said the company had four plants in Malacca, Gebeng (Pahang), Bintulu and Changshu (China) with installed capacity of 28,500 tonnes annually. At present, the plants in Malacca and Gebeng are running at full capacity while the remaining plants will reach full capacity next year.

“We want to increase our installed manufacturing capacity by at least 18,000 tonnes a year to enable us to take advantage of the increased demand for process equipment brought upon by the global oil, gas and petrochemical boom,” he told *StarBiz* in an interview in Seri Kembangan, Selangor. KNM designs, manufactures, assembles and maintains process equipment, pressure vessels, heat exchangers, skid mounted assemblies and storage tanks for oil, gas and petrochemical industries.



Among KNM's products are columns, reactors, separators, pressure vessels, skid packages, heat exchangers, air coolers and liquefied petroleum gas (LPG) mounded bullets.

Lee said the surge in oil and gas prices had led to petroleum companies increasing their budgets for new exploration activities, building of new refineries and upgrading of existing ones.

“As the price of oil is currently quite high, even marginal fields which were once deemed as being unproductive or cost-ineffective are being explored,” he said.

### Lee Swee Eng

KNM's Malacca plant will have additional manufacturing capacity of 3,000 tonnes a year by September, and the Changshu plant will have additional production capacity of 9,000 tonnes by the end of 2005. The company's recent acquisition of a 50% stake in FBM-Hudson Italiana SpA's manufacturing plant in Jebel Ali Free Zone, Dubai, will also provide KNM with additional manufacturing capacity of 3,000 tonnes a year for its products over and above FBM's existing capacity.

KNM is targeting to start operating a new plant in Indonesia by the middle of next year with annual manufacturing capacity of 3,000 tonnes. Lee said KNM currently had process equipment manufacturing contracts worth about RM250mil for oil and gas companies in China, Canada, Australia and the Middle East.

The contracts were expected to last until the third quarter of 2005. “In the meantime, we have submitted bids for new jobs worth more than RM1bil,” he said. Lee said KNM also had the expertise to manufacture process equipments for upstream and downstream activities of the oil and gas industries. “As such, we are able to provide end-to-end process equipment solutions to customers,” he said.

He said KNM had identified China and the Middle East as fast-growing markets for its products. “We are a global company and has positioned or will position ourselves in any region that provides good business potential,” he added.

KNM has reputable record in the international oil and gas and petrochemical industries. Among its high-profile customers are Petroliam Nasional Bhd, Shell Group, Toyo Engineering of Japan, Japan Gas Corp, ExxonMobil, Technip Coflexip and Fluor Daniel Inc.

Lee said KNM's success was due to good teamwork and cooperation among directors and staff. "To succeed in any business, we must be able to work together and have the experience and right skills," he said.

He said the company owed its success to its directors, management team and employees who had worked hard to deliver projects on time without compromising on quality.

"Without teamwork, KNM will be just like any other companies, consisting of several buildings, factories and machines," he said.

The KNM Group started out as KNM Steel Construction Sdn Bhd in 1990, a joint venture between Inter Merger Sdn Bhd and a member of the Koninklijke Nederlandsche Machinefabriek.

Inter Merger was formed by Lee and co-founding executive chairman Datuk Abdul Rani Razalli, who was former Royal Customs and Excise Department deputy director-general.

The member of Koninklijke Nederlandsche Machinefabriek (or Royal Machinery Company of Netherlands in English) went into financial difficulties in 1994 and sold its entire stake in KNM Steel Construction to Inter Merger Sdn Bhd in 1995.

Subsequently, KNM Steel Construction changed its name to KNM Steel Sdn Bhd and later to KNM Process Systems Sdn Bhd before it was injected into the KNM Group prior to the group's listing.

Affin Securities Sdn Bhd in a report said KNM's joint venture with FBM-Hudson Italiana would provide KNM with a strategic partner in the manufacture of higher-end process equipment such as air-cooled heat exchangers and an opportunity to expand its existing Middle East market.

The research house also said that the deal would provide KNM with new technology transfer to manufacture higher-end products for the Asean region and China.

"What differentiates KNM from most other domestic oil & gas service providers is that it derives a substantial portion of its revenue from overseas markets.

"KNM is today a world-class process equipment manufacturer and an international turnkey storage facilities provider," it added.

The report said KNM had representative offices in the US, Europe, Oman, Iraq, United Arab Emirates, Indonesia, South Korea, China, Kuwait, Jordan, Qatar, Vietnam and Nigeria.